2879 (Rev. 1-03)

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JAY B. RISING
STATE TREASURER

TO: Participating Schools and Lenders

FROM: Toots Lapata-Victorson, Deputy Director

DATE: June 18, 2003

SUBJECT: Educational Loan Notes

HISTORIC LOWS FOR STUDENT LOAN INTEREST RATES

The Michigan Guaranty Agency is excited to announce that effective July 1, 2003, interest rates on Federal Family Education Loan Program (FFELP) loans will drop to the lowest rates in student loan history. The interest rate on Stafford loans made during the upcoming 2003-2004 academic year is 2.82% while students are in school and 3.42% during the repayment period.

The annual variable rate for all new Stafford and PLUS loans is based on the bond equivalent rate of 91-day Treasury-Bills (T-Bill) auctioned at the end of each May. The bond equivalent rate for 91-day Treasury Bills auctioned on May 28, 2003, is 1.12%. Below are the new rates, for new and existing loans, effective July 1, 2003.

New Stafford Loans

2.82% For new Stafford loans disbursed on or after July 1, 2003, during in-school, grace, or deferment periods only. The variable interest rate formula for new Stafford loans during these periods is the 91-day T-Bill rate (1.12) plus 1.70%.

3.42% The new rate for borrowers repaying Stafford loans disbursed on or after July 1, 1998, during the repayment period only. The variable interest rate formula for Stafford loans during repayment is the 91-day T-Bill rate (1.12) plus 2.30%.

Existing Stafford Loans

Existing variable rate Stafford loans will also convert to new rates on July 1, 2003, based on various formulas and cap rates calculated from the 91-day T-Bill. The formulas and cap rates vary depending on the original disbursement date of the loan. New rates for all Stafford variable rate loans and their respective formulas and cap rates are published in a chart attached to this issue of *Educational Loan Notes*.

New PLUS Loans

4.22% For new PLUS loans disbursed on or after July 1, 2003. The formula for new PLUS loans is the 91-day T-Bill rate (1.12) plus 3.10%.

(Continued on the next page.)

Existing PLUS and SLS

Existing PLUS loans disbursed from July 1, 1998, through June 30, 2003, are based on the same formula. New interest rates for existing PLUS loans indexed to the 91-day T-Bill, along with their respective formulas and cap rates, are published in the attached chart.

New interest rates for existing PLUS and SLS loans made at a variable rate prior to July 1, 1998, are calculated from various formulas indexed to the weekly average of the one-year constant maturity Treasury yield as published for the last calendar week ending on or before June 26 of each year.

Note: The weekly average of the one-year constant maturity Treasury yield for the last calendar week ending on or before June 26, 2003, will not be available until month-end, at which time the chart will be re-printed in the July issue of *Educational Loan Notes*.

If you have any questions, please contact Betty Calloway at 1-800-642-5626, extension 39639, or via e-mail at callowayb@michigan.gov.

TRANSITIONING TO LASER-PRINTED APPLICATIONS

Based on feedback from a number of customers about the quality of multi-part loan applications, MGA's servicer, Sallie Mae, plans to transition to laser-printed applications. The first to be affected by this transition are the "shelf" applications, followed in the fall by system-generated applications that reflect pre-printed borrower information.

Shelf Applications

Shelf applications, which are ordered by schools and lenders, are applications that contain no pre-printed borrower information. Currently you have the option of ordering the multi-part, pin-fed shelf applications or laser-printed shelf applications. Laser applications differ from the multi-part form in the following ways.

The new laser shelf application is not a multi-part, pin-fed form, but rather single, original forms. Instead of an instruction booklet that is attached to the application, a separate instruction booklet for the laser-printed Stafford MPN, PLUS Common Application, and the new PLUS MPN will be provided.

The laser-printed application is one page only. The borrower completes and signs the front of the page; the reverse side contains the promissory note language. We will provide you with two applications for each applicant. For example, if you order one box of laser-printed applications, you will receive 250 instruction booklets and 500 applications. Two applications and one instruction booklet should be provided to your borrowers.

While we assume borrowers will prefer to photocopy the front side of the application to have a record of the information supplied, we are not sure they will photocopy the reverse side of the application containing the promissory note language. Therefore, to ensure that **every** borrower is provided with a copy of the promissory note language, as required by law, we are fulfilling all laser production orders with **two copies** of the laser application.

Schools and lenders needing PLUS MPN shelf applications that are customized with institutional information will need to order the laser version of this form. The multi-part PLUS MPN can only be shipped as a blank form.

Benefits of Laser Applications

By moving to laser-application production, MGA will be able to provide you with improved efficiency, better quality, a streamlined process, and faster turnaround for your application orders.

In addition, we believe that laser-printed shelf applications will provide Sallie Mae's service representatives with improved legibility for the loan applications that we process on behalf of your borrowers. Improved legibility helps to ensure that borrower data from the loan document that must be "matched" to an electronic loan record on our system, or processed without benefit of an electronic loan record, is correct. Therefore, any errors or delays in processing of loans for your students are minimized.

REPORTING TO THE NATIONAL STUDENT CLEARINGHOUSE

Note: The following information is a follow-up to an article on the National Student Clearinghouse published in the May 2003 issue of *Educational Loan Notes.*

Planning Your Enrollment Transmission Schedule

The National Student Clearinghouse (NSC) recognizes the importance of offering institutions flexibility in determining their enrollment reporting schedules. However, it is important to keep the following in mind as schools plan their transmission schedule.

NSLDS Compliance

Participation in federal financial aid programs requires schools to report the status of all student borrowers, particularly those who have recently withdrawn from an institution. To ensure compliance with the National Student Loan Data System (NSLDS), NSC suggests schools transmit enrollment files at least every 30 to 45 days (i.e., beginning-of-term, mid-term and end-of-term for institutions on the semester and quarter system).

Transmitting Schedule

A school's transmission schedule can be submitted on-line via NSC's secure Web site. NSC advises that schools submit their schedule for the next academic year by July 1. Institutions with special reporting situations such as multiple concurrent terms with different beginning and end-term dates should contact NSC for guidance on developing a reporting schedule.

Once a school has reported their transmission schedule, NSC will coordinate it with the U.S. Department of Education (ED). The federal government adjusts its expectations for NSLDS inputs based on a school's schedule of NSC transmissions. If a school needs to change their transmission schedule, notify NSC as soon as possible so they can, in turn, promptly notify ED.

Early Transmissions

Early transmissions are acceptable as long as they are not earlier than 30 days before the term start date. For example, many institutions transmit files before the actual term start date to enable students to verify enrollment with lenders as soon as possible. Students may also require early verifications for health insurers, housing providers, and other student services providers. NSC recommends schools schedule their first transmission no later than two weeks into the term (usually at the end of your regular add/drop period).

Late Transmissions

NSC's vigilance with a school's reporting schedule is designed to keep institutions in compliance. If a school is late transmitting a file (based on the transmission schedule on record with NSC and ED), NSC will e-mail an alert to the institution's designated NSC contact that the school's NSLDS compliance may be in jeopardy. NSC will continue to e-mail reminders until they receive the necessary file or a response. If an institution is having difficulty meeting a transmission deadline, contact NSC as soon as possible. They will work with you to develop a schedule that accommodates the needs of your office.

The timing and frequency of reporting varies from institution to institution and depends upon the institution's academic calendar. Please contact service@studentclearinghouse.org with questions or for assistance in developing a reporting schedule tailored to your institution's needs.

The New Electronic Common Manual is Now Available!

The July 2003 edition of the electronic Common Manual is now available on-line in the e-Library section of the NCHELP Web site. To access this updated resource, go to www.nchelp.org.

SPRING SCHOOL WORKSHOPS

The Spring School Workshops held in Grand Rapids and Plymouth on May 20 and 21 were well received by the 78 financial aid officers in attendance. Kochie Richardson, Customer Training Representative, Sallie Mae Guarantee Services, presented valuable information on:

- Federal Policy and Regulatory Updates
- FFELP Need-to-Know Issues
- Credit Card Debt on College Campuses
- PLUS Master Promissory Note
- Financial Aid Staff and Privacy Issues

MGA School Services staff presented the five modules of the Life Skills™ financial literacy program. USA Funds developed the Life Skills program to help students better manage their finances and complete their education on time.

Notebooks covering the agenda topics are available to all schools free of charge. To order a notebook, or if you have questions regarding the material covered at the workshops, contact the School Services Unit at extension 36074.

ADMINISTRATIVE RELIEF FOR STUDENTS AND BORROWERS AFFECTED BY MILITARY MOBILIZATIONS

Institutional Charges and Refunds

ED strongly encourages schools to provide a full refund of required tuition, fees, and other institutional charges, or to provide a credit in a comparable amount against future charges for students who are forced to withdraw from school as a result of the military mobilization. In addition, ED is urging schools to consider providing easy and flexible re-enrollment options to affected students.

Return of Title IV Funds Treatment

If a Title IV-eligible student withdraws because of being called to active duty, or has been otherwise impacted by the military mobilization (such as a change of duty station away from the borrower's home), the school must perform the Return of Title IV Funds calculations that are required by the statute and regulations (34 CFR 668.22). If those calculations result in the school being required to return funds to one or more of the Title IV programs, it must do so. If these calculations result in an overpayment that is the responsibility of the student to repay, **the school should not contact the student or notify NSLDS**.

Please note that although previous guidance instructed the school not to refer these overpayments to ED, beginning on May 1, 2003, the school must refer overpayments to ED for tracking and verification purposes.

To the extent possible, these referrals should also include any overpayments identified previously by the school for military mobilization withdrawals under the guidance provided in Dear Colleague Letter GEN-01-13, September 2001. Schools should make the referral using the overpayment referral format on page 1-131 of the Student Eligibility section (Volume 1) of the 2002-2003 Student Financial Aid Handbook. Schools must specify "MILITARY MOBILIZATION" as the reason for the overpayment in Part 5 of the overpayment referral format.

"Q" & "A"

(Note: the following "Q" & "A" is reprinted from *News from NASFAA*, June 9, 2003).

Federal Family Education Loan Programs

(Note: The following answers regarding Federal Family Education Loans also apply to Direct Loans.)

Q: Must I certify Federal Family Education Loans for students who request loans for the summer?

A: If the students are eligible for a summer loan, you must certify their eligibility. However, on a case-by-case basis, you may exercise your professional judgment authority and refuse an otherwise eligible student's loan, or certify a loan amount that is less than the student's need if you document the reason and notify the student of the reason in writing.

Q: Our school policy is to treat summer as a trailer. Our academic year consists of two semesters. We have a student who was enrolled fall 2002, attended another institution spring 2003, and wants to enroll in our 4-week summer term for 8 hours. Can we do a student loan for him without changing our summer as a trailer policy? Can we have a four-week loan period?

A: Yes, you can process a summer loan for a four-week loan period. You can also process his loan under your summer trailer policy. You would need to take into account the loan (if any) that he borrowed at the other school in spring 2003.

Q: We are a semester-based school that offers classes during the summer (May through July), and consider the summer as a trailer session. Are students eligible for an additional loan for the summer term if they have already received a loan for the fall and spring semesters? For example, a sophomore enrolls full-time for both fall and spring and borrows a $3,500 Stafford Loan (the maximum for grade level two). The student enrolls for the summer term and requests an additional loan ($1,400) for the summer term. Is this allowable?

A: Assuming that your school uses a Scheduled Academic Year (SAY) with a summer trailer to determine the frequency of annual loan limits, a student cannot receive another loan for the summer unless the student:

- Has remaining eligibility because he or she did not borrow the maximum annual loan limit for the fall and/or spring semesters; OR
- Has progressed to the next grade level in his or her program of study, AND that grade level has a higher annual loan limit. In this case, the amount of the student's loan for the summer is limited to the difference between the new higher annual loan limit and what the student borrowed during the fall and/or spring semesters.
- In addition, you could switch the student to a Borrower-Based Academic Year (BBAY) provided, of course, that your school's SAY is comprised of at least 30 weeks AND, in making the switch, there is no overlapping loan period.

Q: Every year I struggle as to when loan disbursements should be for summer loans. We have mini-sessions that are combined for the purposes of awarding Federal Pell Grants. When certifying a summer only loan, should the loan period reflect all the mini-sessions combined, with the first day of the first mini-session as the beginning date and the last day of the last mini-session as the end date of the loan period; or if the student is enrolled in only one mini-session, should the loan period be just that mini-session? I know that the cost of attendance (COA) should only reflect expenses for sessions that the student actually attends, but the loan period issue is confusing for me.

(Continued on the next page.)

A: Because you combine the summer mini-sessions into a single term for Federal Pell Grant purposes, you must combine them for all Title IV programs and purposes. For Federal Family Education Loans, the summer loan period begins on the first day of the student's scheduled attendance (i.e., the first day of the first mini-session the student is scheduled to attend). The last day of the loan period is the last day of the summer mini-session the student is schedule to attend.

In determining when a first disbursement of a summer loan may be made, you use the first day of the loan period. The earliest a first disbursement may be made is 10 days before the start of the loan period if the student is a prior borrower, or 30 days before the start of the loan period if the student is a new borrower. If the student does not plan to enroll in all mini-sessions, the second disbursement may not be made until the mid-point is reached when the student is actually enrolled and in attendance. Additional information regarding summer loan periods can be found in the Department of Education's presentation "Need Analysis and Determining Eligibility in Crossover Periods" from the 2001 NASFAA Conference, which is located at http://ifap.ed.gov/presentations/2001finalcrossovers.html.

Q: Our school has never offered summer aid before. Can we use the same award year expected family contribution (EFC) (i.e., 2002-03) or do we need to use the upcoming award year EFC (2003-04) for processing a student's Federal Family Education Loan (FFEL) for the summer? We plan to use summer as a trailer and would like the student to have eligibility.

A: If a student enrolled in a summer school session that crosses over two award years is also receiving campus-based aid, you must use the same EFC (from the same application year) for both the campus-based aid and the FFEL Loan. The application year used for need analysis purposes may be different from the designation of the summer term as a header or trailer for purposes of establishing the academic year for the loan. For instance, you may have a policy that treats the summer term as a header to the academic year for the loan, but you may make an exception and use the EFC from the 2002-03 FAFSA.

Q: We have traditionally treated the summer term as a "trailer" when determining aid eligibility. Recently we began offering a teaching certification program that begins in the summer and continues through fall and spring. I would like to treat summer as the lead term for this program so that we don't have to work with two different award year FAFSAs. Since all candidates must already have a bachelor's degree to enroll, the only aid available is Federal Family Education Loans. Can this be done?

A: A school can establish a policy that designates its summer term as either a trailer or header, or it can make different designations for different educational programs. You may also designate the summer term as a trailer or header on a student-by-student basis.

Q: I have a graduate student who was enrolled half time in the fall (six credits) and then took three credits in the spring (less than half time). He is now enrolled for six credits over the summer session. He has already borrowed $2,750 in the fall. Usually I would process the loan using a nine-month cost of attendance (COA), nine-month expected family contribution (EFC), and nine-month estimated financial assistance (EFA). Because he was not enrolled (and eligible) in consecutive semesters, what is the best way to process this loan?

A: Regardless of the academic year standard you use [i.e., a Scheduled Academic Year (SAY) or Borrower-Based Academic Year (BBAY)], and whether you treat the summer by itself or in combination with other terms, the EFC for the loan period would be only for the number of months during which the student was or will be enrolled at least half time during the loan period. Also only costs, as well as EFA associated with the term(s) during which the student was or will be enrolled at least half time, are included in determining the amount of the student's eligibility.

SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated January 16, 2003. If you have any questions regarding these changes, please contact our School Services Unit at extension 36074.

Telephone and Fax Number Changes

Grand Valley State University, Allendale, 002268-00
Change the phone number to 616-331-3234 and the fax number to 616-331-3180.

Kettering University, Flint, 002262-00
Change Diane Bice's phone number to 810-762-7491.

Contact Name Changes

Davenport University – Eastern Region, Flint, 002253-01
Change Rita Miller, Financial Aid Specialist, to vacant.

Davenport University – Western Region, Battle Creek, 002249-06
Change Julie Hoehn, Financial Aid Officer, to vacant.

Davenport University – Western Region, Kalamazoo, 002249-02
Change Julie Hoehn, Financial Aid Officer, to Kathy Stewart, Financial Aid Officer.

Wayne County Community College – Downtown Campus, Detroit, 009230-00
Change Kimberly Tipton, Loan Coordinator, to vacant.

Wayne County Community College – Northwest Campus, Detroit, 009230-00
Change Mattie Porter, Financial Aid Coordinator, to Wilma Harris, Interim Associate District Director of Financial Aid.

Wayne County Community College – Eastern Campus, Detroit, 009230-00
Change Eli Duncan, Financial Aid Coordinator, to vacant.

William Tyndale College, Farmington Hills, 002252-00
Change Kim Zwierzchowski, Financial Aid Director, to Marjie Franko, Financial Aid Coordinator.

Terminated School

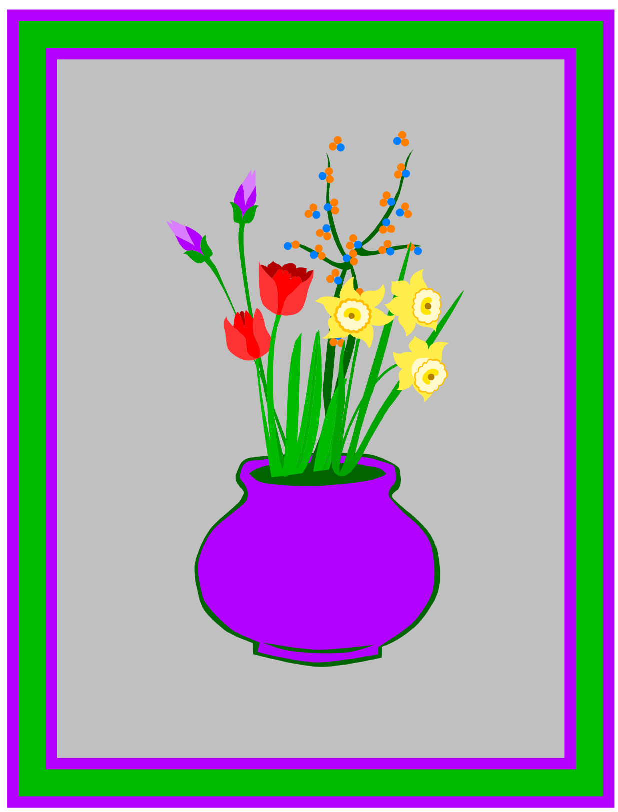
St. Mary's College, Orchard Lake, 002321-00
Effective June 30, 2003, delete St. Mary's College from the white section of the Active Michigan School List.

ED PIPELINE

Following is the most recent ED correspondence for schools and lenders.

Dear Partner
May 2003
ANN-03-06

FSA University is pleased to announce several interactive online training sessions in EDExpress Application Processing using WebEx technology.



Calendar of Upcoming Events

June 2003

22-25 MSFAA Summer Conference
Mission Point Resort
Mackinac Island, MI

July 2003

4 MGA Office Closed

9-12 2003 NASFAA Conference
Salt Palace Convention Center
Salt Lake City, Utah

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at ext. 36944, or via e-mail at petersonj@michigan.gov.

Federal Family Education Loan Program
Regular Variable Rate Stafford Loan Interest Rates
July 1, 2003, through June 30, 2004

Table 1

INTEREST RATE FORMULA (T-BILL RATE + ADDITIONAL SUM = INTEREST RATE)						
Type of Borrower	**First Disbursement Made On or After**	**First Disbursement Made Before**	**91-Day Treasury Bill Rate**	**Additional Sum**	**Cap**	**Interest Rate for the Period of 7/01/03 - 6/30/04**
"New" Borrower	10/01/92	7/01/94	1.12%	3.1%	9%	**4.22%**
"New" Borrower	7/01/94 (for a period of enrollment ending prior to 7/01/94)	N/A	1.12%	3.1%	9%	**4.22%**
All Borrowers (regardless of prior borrowing)	7/01/94 (for a period of enrollment that includes or begins on or after 7/01/94)	7/01/95	1.12%	3.1%	8.25%	**4.22%**

Federal Family Education Loan Program
Regular Variable Rate Stafford Loan Interest Rates
July 1, 2003, through June 30, 2004

Table 2

INTEREST RATE FORMULA (T-BILL RATE + ADDITIONAL SUM = INTEREST RATE)							
Type of Borrower	**First Disbursement Made On or After**	**First Disbursement Made Before**	**During Periods**	**91-Day Treasury Bill Rate**	**Additional Sum**	**Cap**	**Interest Rate for the Period of 7/01/03 - 6/30/04**
All Borrowers (regardless of prior borrowing)	7/01/95	7/01/98	In-school, grace and deferment periods.	1.12%	2.5%	8.25%	**3.62%**
			All other periods.	1.12%	3.1%	8.25%	**4.22%**
All Borrowers (regardless of prior borrowing)	7/01/98	7/01/06	In-school, grace and deferment periods.	1.12%	1.7%	8.25%	**2.82%**
			All other periods.	1.12%	2.3%	8.25%	**3.42%**

Federal Family Education Loan Program
"Converted" Variable Rate Stafford Loan Interest Rates
July 1, 2003, through June 30, 2004
(Loans That Were Subject to "Windfall Profits")

Table 3

INTEREST RATE FORMULA (T-BILL RATE + ADDITIONAL SUM = INTEREST RATE)				
Type of Loan	**91- Day Treasury Bill Rate**	**Additional Sum**	**Cap**	**Interest Rate for the Period of 7/01/03 - 6/30/04**
8/10% Loans (made prior to 7/23/92)	1.12%	3.25%	10%	**4.37%**
7% Loans	1.12%	3.1%	7%	**4.22%**
8% Loans	1.12%	3.1%	8%	**4.22%**
9% Loans	1.12%	3.1%	9%	**4.22%**
8/10% Loans (made on or after 7/23/92)	1.12%	3.1%	10%	**4.22%**

Federal Family Education Loan Program
Variable Rate PLUS and SLS Loan Interest Rates
July 1, 2003, through June 30, 2004

Table 4

INTEREST RATE FORMULA (T-BILL RATE + ADDITIONAL SUM = INTEREST RATE)						
Type of Loan	**First Disbursement Made On or After**	**First Disbursement Made Before**	**91-Day Treasury Bill Rate**	**Additiona l Sum**	**Cap**	**Interest Rate for the Period of 7/01/03 - 6/30/04**
PLUS/SLS*	N/A	10/01/92	**	3.25%	12%	**
PLUS*	10/01/92	7/01/94	**	3.1%	10%	**
SLS	10/01/92	7/01/94	**	3.1%	11%	**
PLUS	7/01/94	7/01/98	**	3.1%	9%	**
PLUS*	7/01/98	7/01/06	1.12%	3.1%	9%	**4.22%**

* **These loans will not be subject to special allowance payments during the four quarters ending 9/30/03, 12/31/03, 3/31/04, and 6/30/04.**

** **The rate for PLUS and SLS loans disbursed 10/01/92 through 6/30/98 is indexed to the average of the one-year constant maturity yield for the last calendar week ending on or before June 26, 2003, and is not available at this time. This chart will be updated in the July 2003 issue of *Loan Notes.***

LOAN NOTES
June 2003